

Message Text

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PAGE 01 CAIRO 15245 01 OF 02 161501Z
ACTION NEA-11

INFO OCT-01 ISO-00 L-03 CIAE-00 COME-00 EB-08 INR-10
LAB-04 NSAE-00 SIL-01 PA-01 ICA-11 AID-05 FRB-03
TRSE-00 XMB-02 OPIC-03 SP-02 OMB-01 NSC-05 SS-15
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-----099603 161659Z /72

R 161443Z JUN 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 0427

LIMITED OFFICIAL USE SECTION 01 OF 02 CAIRO 15245

E.O. 11652: N/A
TAGS: ECON, EGEN
SUBJ: PA APPROVES CIVIL SERVICE REFORM AND PUBLIC SECTOR
- WORKERS LAW

REF: (A) CAIRO 12613, (B) CAIRO 12626, (C) CAIRO 12770,
- (D) CAIRO 6493, (E) CAIRO 6893, (F) CAIRO 7905

1. ACCORDING TO JUNE 14 AL AHAM, PA APPROVED PUBLIC SECTOR AND CIVIL SERVICE WORKERS LAW JUNE 13 AFTER LONG AND SOMETIMES ACRIMONIOUS DEBATE. ONLY OTHER COVERAGE OF LAW WAS HEADLINE IN AL GUMHURIYYA JUNE 15, TWO DAYS AFTER PA ACTION. NOTING THAT DEBATE OVER DRAFT LAW OCCUPIED 12 FULL PA SESSIONS, PRESS REPORTS THAT NEW LAW WILL FINALLY GO INTO EFFECT JULY 1, 1978 AFTER IMPLEMENTING REGULATIONS HAVE BEEN APPROVED. PA ALSO PROVIDED APPROX LE 80 MILLION TO FUND INCREASE FROM JULY 1 - DECEMBER 31. WE ESTIMATE THAT NEW LAW SHOULD MEAN ACTUAL WAGE INCREASE OF APPROXIMATELY LE 4-10 PER MONTH PER WORKER DEPENDING ON GRADE. APPROXIMATELY 1.5 MILLION WORKERS (ABOUT ONE HALF OF URBAN WORK FORCE) STAND TO BENEFIT FROM INCREASES.

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PAGE 02 CAIRO 15245 01 OF 02 161501Z

2. IN ESSENCE, NEW LAW UNITES CIVIL SERVICE AND PUBLIC SECTOR SALARY SCHEDULES, ABOLISHES BOTTOM FOUR GRADES OF OLD SCHEDULES, AND SETS NEW LIMITS ON GRADES AND STEP INCREASES. NEW GRADE AND ANNUAL SALARY LEVELS AS REPORTED IN PRESS ARE:

FIRST UNDERSECRETARY: LE 2100

UNDERSECRETARY OF STATE: LE 1500-2040 WITH LE 75 ANNUAL

- STEP INCREASE.

DIRECTOR GENERAL: LE 1320-1920 WITH LE 72 ANNUAL

- STEP INCREASE.

GRADE 1: LE 960-1680 WITH LE 60 ANNUAL

- STEP INCREASE.

GRADE 2: LE 660-1500 WITH LE 48 ANNUAL

- STEP INCREASE (LE 60 AFTER

- SALARY REACHED LE 876).

GRADE 3 LE 360-1200 WITH LE 24 ANNUAL

- STEP INCREASE (LE 36 AFTER

- SALARY REACHES LE 480 AND LE 48

- AFTER SALARY EQUALS LE 660).

GRADE 4 LE 240-900 WITH LE 18 ANNUAL

- STEP INCREASE (LE 24 AFTER

- SALARY EQUALS LE 360).

GRADE 5: LE 216-720 WITH LE 12 ANNUAL

- STEP INCREASE (LE 18 AFTER

- SALARY REACHES LE 240).

GRADE 6: LE 192-540 WITH LE 12 ANNUAL

- SALARY REACHES LE 240).

3. NEW LAW ALSO TIES WAGES TO PRODUCTIVITY BY DE-EMPHASIZING IMPORTANCE OF ACADEMIC CERTIFICATES AND SETTING STRICT STANDARDS FOR PROMOTION BASED ON PERFORMANCE TO LIMITED OFFICIAL USE

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PAGE 03 CAIRO 15245 01 OF 02 161501Z

HIGHER ADMINISTRATIVE GRADES. EXCELLENT WORKERS ARE TO BE AWARDED WITH EXTRA STEP INCREASES UNDER NEW SYSTEM, WHILE LOW PRODUCTIVITY WORKERS WILL HAVE THEIR ANNUAL STEP INCREASE CUT IN HALF. NEW LAW ALSO GUARANTEES THAT WORKERS WILL NOT LOSE SENIORITY OR OTHER BENEFITS IF THEY ARE TRANSFERRED OR IF THEIR UNIT IS ABOLISHED AND MERGED WITH ANOTHER.

4. COMMENT: CIVIL SERVICE REFORM/PUBLIC SECTOR WAGE INCREASE PROVISIONS REPRESENT FIRST MAJOR REVAMPING OF WAGE STRUCTURE SINCE AT LEAST 1971. IN CONTRAST TO WIDE PUBLICITY WHICH PROPOSALS RECEIVED WHEN THEY WERE FIRST PRESENTED TO THE CABINET IN LATE FEBRUARY (AFTER SEVERAL YEARS OF PREPARATION), PEOPLES ASSEMBLY PASSAGE OF THIS EXTREMELY IMPORTANT PIECE OF LEGISLATION RECEIVED MORE OR LESS ROUTINE FRONT PAGE PRESS COVERAGE. PAY INCREASES WERE INTENDED BY GOE TO RELIEVE BURDENS OF RECENT INFLATIONARY TRENDS ESPECIALLY FOR THOSE PERSONS IN LOWER INCOME LEVELS AND TO DEMONSTRATE GOE'S CONCERN FOR BROAD SEGMENT OF URBAN POPULACE. IMF, ON OTHER HAND, VIEWED INCREASES AS NECESSARY PART OF REFORM PROGRAM WHICH WOULD PERMIT FURTHER REDUCTION OF SUBSIDIES. WHILE INCREASES

ARE ABOUT 15-20 PER CENT OF TOTAL GOE CIVIL SERVICE/
PUBLIC SECTOR WAGE BILL (LE 950 MILLION IN 1977,
ACCORDING MINFIN), INFLATION HAS CERTAINLY BEEN MUCH
HIGHER THAN THIS IN PAST FEW YEARS DESPITE GOE ATTEMPTS
TO HOLD LINE ON BASIC COMMODITIES. ACTUAL AMOUNTS OF
INCREASES, LE 4-10 PER MONTH PER WORKER DEPENDING
ON GRADE, WILL DO LITTLE TO HELP RELIEVE INFLATIONARY
PRESSURES AND CERTAINLY DO NOT SET STAGE FOR FURTHER
SUBSIDY CUTS. IN FACT, POPULATION'S REACTION WILL PROBABLY
BE TO VIEW INCREASES AS TOO LITTLE TOO LATE, WHICH MAY
EXPLAIN WHY GOVERNMENT HAS NOT SOUGHT GARNER MAJOR
PUBLICITY FOR THE MEASURE. BY EMPHASIZING PERFORMANCE,
GOE ALSO CERTAINLY HOPES TO INCREASE PRODUCTIVITY WITH

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PAGE 01 CAIRO 15245 02 OF 02 161501Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 CAIRO 15245

PROMISE OF FINANCIAL REWARDS. ECONOMY STILL SUFFERS FROM
EXCESS EMPLOYMENT, HOWEVER, AND WITHOUT ALSO ELIMINATING
MANY JOB DUPLICATIONS AND MARGINAL JOBS WHICH CURRENTLY
EXIST, THERE IS NO WAY TO INCREASE PRODUCTIVITY
SIGNIFICANTLY. EILTS

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